



The Taxpayer Advocate Service:

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS. TAS assists individual and business taxpayers in resolving their tax problems with the IRS and recommends systemic changes to improve the tax administration system. The goals of the Taxpayer Advocate Service are to protect individual taxpayer rights and to reduce taxpayer burden. TAS has approximately 2,200 employees and has at least one office in each state. The Taxpayer Advocate Service independently represents your clients' interests and concerns within the IRS.

Referral Process to the Taxpayer Advocate Service:

If you have gone through the normal IRS channels and are unable to help a client resolve their tax problem, consider referring them to the IRS Taxpayer Advocate Service. The National Taxpayer Advocate, Nina Olson, heads the program. Each state and campus has at least one Local Taxpayer Advocate, who is independent of the local IRS office and reports directly to the National Taxpayer Advocate.

If your client has any of the following conditions, they may qualify for assistance from the Taxpayer Advocate Service:

- Your client is suffering or is about to suffer a significant hardship.
- Your client is facing an immediate threat of adverse action.
- Your client will incur significant costs if relief is not granted (including fees for professional representation).
- Your client will suffer irreparable injury, or long-term adverse impact if relief is not granted.
- Your client has experienced a delay of more than 30 calendar days beyond normal processing time, to resolve a tax related problem or inquiry.
- Your client has not received a response or resolution to their problem by the date promised.
- A system or procedure has either failed to operate as intended or failed to resolve your client's problem or dispute within the IRS.

Note that the Taxpayer Advocate Service is not a substitute for established IRS procedures or the formal Appeals process. The Taxpayer Advocate Service cannot reverse legal or technical tax determinations.

Contacting the Taxpayer Advocate Service:

- Call the Taxpayer Advocate Service toll-free telephone number: 1-877-777-4778 or TTY/TTD: 1-800-829-4059.
- Call the General IRS toll-free number: 1-800-829-1040 and request the Taxpayer Advocate Service.
- Call, write or visit the Local Taxpayer Advocate office for your state. A list of Taxpayer Advocate Service offices may be found in Publication 1546, The Taxpayer Advocate Service of the IRS, which may be downloaded and printed from the IRS website at www.irs.gov/advocate.
- Submit advocacy issues by e-mail to Systemic.Advocacy@irs.gov, by fax to (202) 622-3125 or via the internet at www.irs.gov/advocate.

Responsiveness of TAS:

By law, the National Taxpayer Advocate must submit two reports to Congress each year.

- The first report, delivered each June, contains the goals and activities planned for the Taxpayer Advocate Service for the coming year.
- The second report, delivered in December, is more substantial in content and importance. It contains a summary of the most serious problems encountered by taxpayers, legislative recommends for those problems, a list of the most litigated issues and details on IRS efforts to improve customer service and reduce taxpayer burdens.

Highlights from the December 31, 2002 Annual Report To Congress:

The Annual Report to Congress, as required by law, has three main sections; the Most Serious Problems Encountered by Taxpayers, Legislative Recommendations, and the Most Litigated Issues.

Below is a summary of the 2002 Annual Report to Congress. The full report is on the IRS website at: www.irs.gov/advocate.

The major theme of the 2002 report is protecting taxpayer rights. *"The Taxpayer Advocate Service must live up to its role as the independent conscience of the IRS,"* said Nina Olson. *"This is particularly important as the IRS is stepping up enforcement activity in a number of key areas. The IRS has made significant progress in protecting taxpayer rights in recent years, and we must be vigilant to ensure that enforcement measures, however well intentioned, do not reverse this progress."*

The report states that taxpayer access to information and services is central to protecting taxpayer rights, and that principle is incorporated throughout the report.

Taxpayer access is highlighted in five areas:

- to information,
- to the IRS,
- to the Taxpayer Advocate Service,
- to representation, and
- to return preparation.

It is important that taxpayers not only know what is happening with their accounts but also know what the IRS is doing to resolve taxpayer-specific and systemic problems and whom to contact for assistance.

Most Serious Problems Encountered By Taxpayers:

The report identifies the 23 most serious problems encountered by taxpayers. This section provides an opportunity for IRS officials to respond to efforts made to rectify the problems. The number one problem, faced by both individual and business taxpayers alike, is identifying the correct IRS office or employee to answer a question or resolve a problem. The number two problem faced by taxpayers is a delay in the processing of

offer-in-compromise cases. Seven of the top 23 problems encountered by taxpayers involve the Earned Income Tax Credit.

According to the report, other serious problems facing taxpayers include:

- Use of “math error” authority – IRS notices are deficient in explaining adjustments, are difficult to reconcile with original returns, and do not clearly explain how to challenge adjustments.
- IRS information reporting program – This program produces a high number of tax assessments that are later abated.
- Processing claims for refunds – Refund claims are misplaced by the IRS and not processed within the timeframe promised by the IRS.
- Earned Income Tax Credit – The intrusiveness and complexity of the EITC rules, and their inconsistency, place unnecessary burdens on taxpayers.

Legislative Recommendations:

Eleven statutory changes are recommended. The key legislative recommendations would:

- Allow successful plaintiffs in employment, race, sex, or age discrimination cases to deduct legal fees “above the line”; this would prevent situations where a victim’s tax liability consumes much of – or even more than – the proceeds of a settlement or judgment and would address an existing inequity under which the tax treatment of legal fees depends on the state in which the plaintiff resides.
- Simplify record-keeping and tax-filing requirements for married couples who jointly own and operate an unincorporated business.
- Repeal the authority of the IRS to make summary assessments of tax on the basis of “math error authority” where a substantive disagreement exists, except where the need for such authority has been carefully studied and a “taxpayer rights impact statement” has been prepared.
- Strengthen the independence of the Office of the Taxpayer Advocate by (1) providing independent counsel for the National Taxpayer Advocate, (2) authorizing the National Taxpayer Advocate to file briefs as *amicus curiae* in cases involving significant taxpayer-rights issues, (3) codifying the National Taxpayer Advocate’s delegated authority to prevent programs from being implemented before their impact on taxpayers has been fully considered, (4) expanding the definition of “significant hardship” to include “impairment of taxpayer rights” for certain purposes, and (5) enhancing the ability of the Taxpayer Advocate Service to treat information provided by taxpayers as confidential.
- Require the IRS to register, test, and certify unenrolled federal tax return preparers (*i.e.*, preparers other than attorneys, CPAs, and enrolled agents) to help ensure that preparers meet minimum standards of education and training.

- Reform the “kiddie tax” rules to sever the link between the computation of a child's adjusted gross income and the computation of the parent(s)'s adjusted gross income.

The Most Litigated Issues:

The report identifies and discusses the eleven issues most frequently litigated by taxpayers during the past reporting year. Compared with prior reports, this section was expanded considerably and now contains a comprehensive analysis and discussion of each of the key issues. The following is a list of the eleven most litigated tax issues:

1. Nonfiler/Unreported & Underreported Income
2. Collection Due Process
3. Trade or Business Expenses
4. Valuation
5. Earned Income Tax Credit (EITC)
6. Abusive Trusts
7. Itemized Deductions
8. Capital Gain and Loss
9. Civil Fraud Penalty
10. Joint and Several Liability
11. Barred Refunds

A review of the most litigated issues also revealed that many taxpayers argue tax cases *pro se*; that is, they represent themselves and do not use counsel. Taxpayers who represent themselves generally do not fare as well in the courts. The report proposes several initiatives designed to address this problem.

Related Issues of TAS:

Casework and Systemic Advocacy:

TAS processed approximately 227,000 new cases from individual and business taxpayers in FY 2002. Efforts are underway to reach those taxpayers who may be unaware of the services of TAS.

The TAS Office of Systemic Advocacy studies issues that negatively affect large groups of taxpayers and, where warranted, develops proposals for administrative or legislative change. Over the past year, the TAS Office of Systemic Advocacy has substantially revised its procedures for soliciting proposals for advocacy projects, making it easier for those inside and outside the IRS to bring systemic tax problems to our attention. You can submit suggestions by e-mail to Systemic.Advocacy@irs.gov, by fax to (202) 622-3125 or via the internet at www.irs.gov/advocate.

Taxpayer Advocacy Panel

The Taxpayer Advocacy Panel (TAP) listens to taxpayers, identifies taxpayer's issues and makes suggestions for improving IRS service and customer satisfaction. The TAP acts as a two-way conduit; serving as a focus group for the IRS providing input on strategic initiatives, as well as providing a venue for raising issues identified by citizens.

The Taxpayer Advocacy Panel is the new name for the expanded Advocacy Panel within the IRS. With the expansion of TAP, citizen volunteers from all fifty states have the opportunity to participate in the federal tax administration system.

Structurally, there are seven geographically based Area Committees aligned with the current Taxpayer Advocate Service areas. These Area Committees address local issues and schedule outreach activities. Issue Committees, with nationwide membership, identify and work service-wide issues and are closely linked to the Wage and Investment and Small Business/Self-Employed program owners. The goal is to have panel members demographically diverse, with at least one member from each state, for a total of 95 members. Annual Reports are submitted to the Secretary of the Treasury and the IRS Commissioner.

Copies of all reports, events, meeting agenda and minutes, and success stories can be found on the TAP website. Contact the Taxpayer Advocacy Panel, toll free, at 1-888-912-1227 or visit the website at www.improveirs.org.

Low Income Taxpayer Clinics

Every taxpayer has the right to have access to representation. The Low Income Taxpayer Clinics Grant Program was established, as a result of the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998.

Low Income Taxpayer Clinics represent low income taxpayers involved in controversies with (IRS) and provide tax education and outreach to taxpayers who speak English as a second language (ESL) or who have limited English proficiency. Clinics may not charge for their services or may charge only a nominal fee. Section 7526 of the Internal Revenue Code (IRC) authorizes the IRS to award organizations matching grants of up to \$100,000 per year. The LITC Program is administered by the Office of the Taxpayer Advocate. The LITCs and their volunteers are completely independent of the IRS. Low income taxpayers may also receive assistance from an attorney referral systems operated by state bar associations, local societies of accountants, and other nonprofit tax professional organizations.

LITCs are operated by nonprofit organizations, law schools and business schools. Each clinic independently determines if a taxpayer meets its income guidelines. The low income status is determined by guidelines contained in the Federal Poverty Guidelines, which are updated annually by the Department of Health and Human Services (HHS).

The locations of the Low Income Taxpayer Clinics are available on the IRS website at: www.irs.gov/advocate. You may contact the LITC Program Office by phone at (404) 338-7185, or by email at LITCProgramOffice@irs.gov. or write to: IRS, Taxpayer Advocate Service Mail Stop 211-D, LITC Program Office, 401 West Peachtree St. NW, Atlanta, GA. 30308.



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ADVOCACY IN ACTION

***Referral, Responsiveness
and Related Issues***



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TAXPAYER ADVOCATE SERVICE

- ❖ **Who We Are**
- ❖ **What We Do**
- ❖ **When We Get Involved**
- ❖ **How We Get Involved**



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TAXPAYER ADVOCATE SERVICE

- ❖ **Examples of Involvement**
- ❖ **Current Strategies**
- ❖ **Contacting TAS**
- ❖ **Questions**



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WHO WE ARE

- ❖ **TAS is an Independent Organization Within IRS**
- ❖ **Created by RRA 98**
- ❖ **Replaces Old Problem Resolution Program (PRP)**



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MISSION STATEMENT

As an independent organization within the IRS, we help taxpayers resolve problems with the IRS and recommend changes that will prevent the problems.



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LEADERSHIP

Nina E. Olson,

National Taxpayer Advocate

Melvin Ware,

**Acting Deputy, National Taxpayer
Advocate**

Arlene G. Kay,

Executive Director, Systemic Advocacy

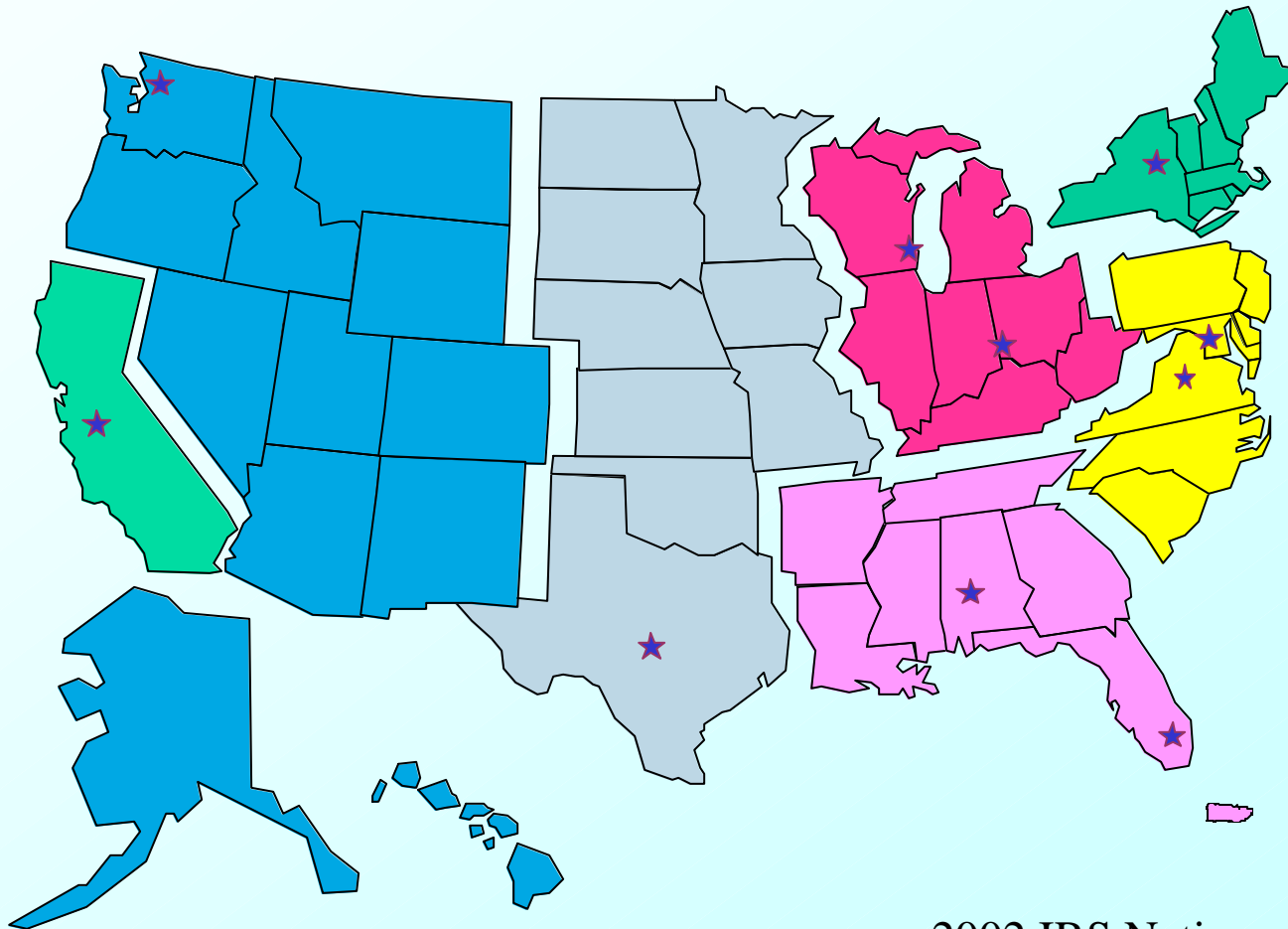
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OFFICES IN ALL 50 STATES



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TAS OFFICES NATIONWIDE

National Taxpayer Advocate

Washington, DC

74 Local TAS offices

- **One or more in every state**
- **One at each IRS campus**

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ADVOCACY IN ACTION

Section 7811 of RRA '98

**Defines Taxpayer Advocate
Casework &**

Expanded Hardship Criteria

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WHEN WE GET INVOLVED

**Most Cases Can and Should
Be Resolved Through Normal
IRS Channels**

***“Taxpayer Advocate Service
is Not a Second IRS”***

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TAS Criteria

- ❖ **Economic Hardship**
- ❖ **Systemic Hardship**



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TAS CRITERIA

Economic Hardship

- ❖ Taxpayer Suffering Significant Hardship
- ❖ Taxpayer Facing Adverse Service Action



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TAS CRITERIA

Economic Hardship (continued)

- ❖ Taxpayer Will Suffer Irreparable Harm
- ❖ Taxpayer Will Incur Significant Cost



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TAS CRITERIA

Systemic Hardship

- ❖ Significant Delay Past Normal Processing Time
- ❖ No Response By Promised Date
- ❖ System Failure



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DOCUMENTING HARDSHIP

- ❖ **Eviction Notice**
- ❖ **Foreclosure Begun**
- ❖ **Utilities Disconnect**
- ❖ **Cut-Off Notice from Suppliers**
- ❖ **Copies of IRS Correspondence**



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GRANTING OF RELIEF

A hardship condition does not necessarily mean relief can or will be granted.



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HOW WE GET INVOLVED

- ❖ Listen to Taxpayer's Issue and View
- ❖ After *Independent* and *Impartial Analysis*, Advocate on Taxpayer's Behalf with IRS Operations
- ❖ Ensure Operations Has/Considers All Information to Make Informed Decision



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HOW WE GET INVOLVED

(continued)

- ❖ **Make a recommendation**
- ❖ **If necessary, issue a Taxpayer Assistance Order (TAO)**



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WHAT IS A TAO?

A Taxpayer Assistance Order (TAO) requires the IRS to:

- ❖ Take an Action
- ❖ Cease an Action
- ❖ Review a Decision

Operations May Appeal a TAO to the Commissioner



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WHEN WILL A TAO BE ISSUED?

When an agreement cannot be negotiated between IRS and the Local Taxpayer Advocate to provide relief.



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OTHER AVENUES

- ❖ **“Everyday Tax Solutions”**
- ❖ **Practitioner Priority Service**
- ❖ **Low Income Tax Clinics**



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OTHER AVENUES

- ❖ **“Everyday Tax Solutions”**
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ADVOCACY

- ❖ **Systemic Advocacy**
- ❖ **Reports To Congress**
- ❖ **Legislative Recommendations**
- ❖ **Taxpayer Advocacy Panel**
- ❖ **Low Income Taxpayer Clinics**

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ADVOCACY

- ❖ **Systemic Advocacy (SAMS)**
- ❖ **Submit advocacy issues by:**
- ❖ **E-mail – Systemic.Advocacy@irs.gov**
- ❖ **Fax - (202) 622-3125**
- ❖ **Internet - www.irs.gov/advocate**



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ADVOCACY (cont.)



2 Reports To Congress-

- **December 2002 Report:** List Top 23 Issues & Legislative Proposals
- **Fiscal Year Objectives Report:** List accomplishments for current year and goals and focus for FY 2004

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REPORT TO CONGRESS

Annual Report To Congress 2002

Highlights:

- ❖ Theme - Protecting Taxpayers' Rights
- ❖ Taxpayer access to information and services is central to protecting taxpayer rights



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REPORT TO CONGRESS

Annual Report To Congress 2002

Top 22 Issues:

- ❖ #1 – Navigating the IRS
- ❖ #2 - Delay in processing OIC cases
- ❖ 7 of the top 22 involve EITC



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REPORT TO CONGRESS

Annual Report To Congress 2002

Legislative Recommendations Highlights:

- ❖ Simplify tax treatment of married couples jointly owning a business
- ❖ Allow successful plaintiffs in employment, race, sex or age discrimination cases to deduct legal fees

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REPORT TO CONGRESS
Annual Report To Congress 2002

Legislative Recommendations (cont.):

- ❖ **IRS “math error authority”-repeal IRS ability for summary assessment and establish criteria for this authority**
- ❖ **Require IRS to register, test and certify unenrolled federal tax return preparers**



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REPORT TO CONGRESS

Annual Report To Congress 2002 Highlights

Legislative Recommendations (cont.):

- ❖ Reform “kiddie tax” rules to sever the link between computation of child’s AGI and the parent(s) AGI and simplify computation of child’s standard deduction



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RECENT EXAMPLES OF TAS ADVOCACY

- ❖ Private Debt Collection
- ❖ EITC Precertification Program
- ❖ Individual Taxpayer Identification Number



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FY 2004 STRATEGIES

- ❖ **Several new projects for next fiscal year involve:**
 - **small business issues**
 - **electronic filing**
 - **financial literacy**



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FY 2004 STRATEGIES (cont.)

- ❖ **Sponsoring or participating in research studies involving:**
 - **abusive tax schemes**
 - **the impact of representation on the outcome of EITC audits**
 - **reasons for lack of taxpayer response in EITC examinations**



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FY 2004 STRATEGIES (cont.)

- ❖ **Customer Satisfaction Survey**
- ❖ **Research and test new marketing campaign**



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HOW TO CONTACT TAS

- ❖ **NTA Toll-Free Line (1-877-777-4778)**
- ❖ **Local Taxpayer Advocates' Numbers
in Telephone Book**
- ❖ **File Form 911 Directly
(Download from Web Site)
www.irs.gov/advocate**



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THANK YOU!

For Helping Taxpayers

AND

For Assisting Us in Helping Them

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QUESTIONS?



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